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Discount Store News

SECOND CLASS

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Hills Begins Long Climb Back

By Laura Liebeck

CANTON, Mass. — Hills Department Stores has embarked upon a new cost-cutting and store remodeling strategy designed to enhance its competitive position and improve profits.

Earlier this month, Hills said it will close 28 stores in seven states—half of them former Gold Circle units—by spring, lay off 3,000 workers, pay off $200 million of its enormous debt and initiate a store remodeling program.

The chain also said that it will take a non-cash charge of $125 million against fourth quarter earnings as a result of the restructuring that includes the 28 store closings.

Schottenstein & Co., Cincinnati, is handling the going-out-of-business sale at the 28 stores.

Hills retained Smith Barney, Harris Upham & Co. and The Argosy Group to serve as financial advisors and help raise additional capital. The discounter expects to offer a specific plan to restructure its balance sheet, debt included, by the end of the month. The plan should reveal how the company will raise another $75 million to $100 million.

Hills does not plan to file for Chapter 11 protection, said president John Brouillard, who replaced former president and chairman Steve Goldberger last month. "Chapter 11 is not in our vocabulary," he said.

Hills executives, led by Brouillard and Gene O'Donnell, senior vice president, merchandising, are now reviewing the chain's merchandise lines and store fixturing programs to develop a new store prototype that will em-

(Continued on page 35)

Stocks Mauled by '90 Bear Market

By Neil Nordby
Special to DSN

NEW YORK — Wall Street's 8-year-old bull market was officially corralled last year, and the resultant bear market left a rash of battered and beaten discount store stocks in its wake.

And no indicator felt the stinging effects of the market's sudden and powerful reversal last year more than the *DSN* Stock Index. The box score for the 61 retailing issues tracked was down a heart-pounding 330 points to close the year at 1266.05.

In other words, each discounter in our financial barometer spiraled downward an average of nearly 21%, highlighting their bearish performance in 1990.

The reasons for the downturn in retail stocks have been well documented: a weakening U.S. economy that officially slipped into a recession in the fourth quarter, although many regions were in a recession before that; brutal competition that forced dramatic price-slashing among retailers; and the uncertainty brought on by the possibility of war.

As a result of the above concoction, of all issues in our financial barometer, losers routed gainers by better than a 5-to-1 ratio.

A sampling of last year's winners and losers in the discount store sector includes:

- Wall Street's favorites: Investors were steadfastly bullish on those discounters who

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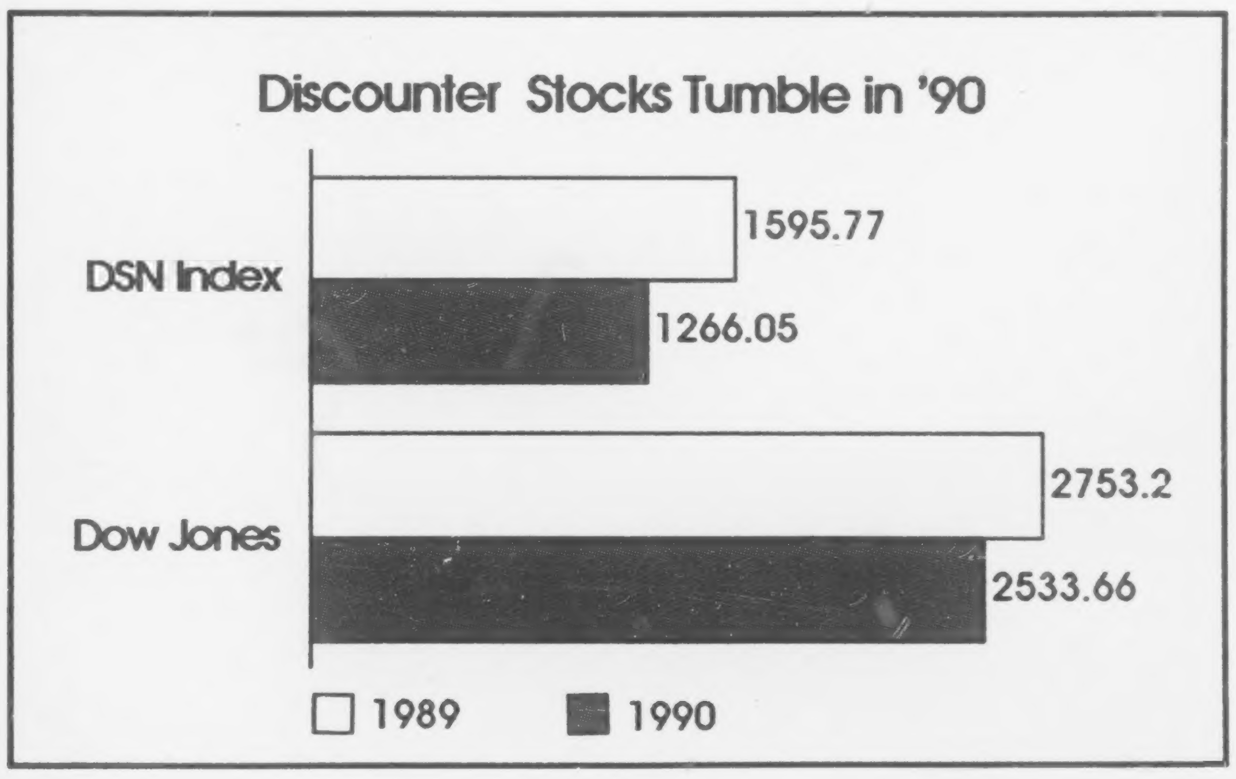

Layoffs at Sears, Other Retailers Fuel Job Fears

By Richard Halverson
Nationwide DSN Report

No need to tell the 1,500 ex-employees of Sky City, Asheville, N.C., that a contraction of retailing is underway that might see the elimination of as much as 12% of existing store square footage in 1991 and 1992.

Following the failure last month of a planned management-led leveraged buyout, the financially ailing parent of Sky City, Interco, is liquidating the 55-unit chain and all employees will be gone by Jan. 31. (see story, page 3).

And the former 1,150 employees of David Weiss, Exton, Pa., a catalog showroom chain that just liquidated its 18 showrooms and 10 jewelry stores, know all too well that the retail job market is shrinking.

(Continued on page 37)

Auto Chain Launches Franchises

KANSAS CITY, Mo. — In the face of a looming recession, Western Auto is launching a new franchised discount auto parts and service store chain called Auto America.

"There will be better times to launch a new business," conceded Chuck Hutchens, vice president of franchise sales for Auto America. "But hard times provide opportunities that Western Auto, [a Sears subsidiary since April 1988], can capitalize on."

Layoffs and store closings in retailing will help fill the pool of prospective franchisees, he said, as laid off managers cast about for ways to use their talents and invest severance pay packages.

In addition, motorists tend to keep their cars longer in hard times and as a result need more parts and maintenance.

Western Auto sees a potential of 500 to 600 franchised Auto America stores, Hutchens said. For 1991, it is seeking 15 candidates to purchase the first franchises for an upfront fee of $25,000, plus royalty fees of 5% of sales.

Western Auto expects to complete construction of the first Auto America franchised store in Marion, Ind., by early March, even though it has yet to sign a franchisee.

Western Auto prefers to pick the site based on sound market analysis and then find a franchisee to invest in and

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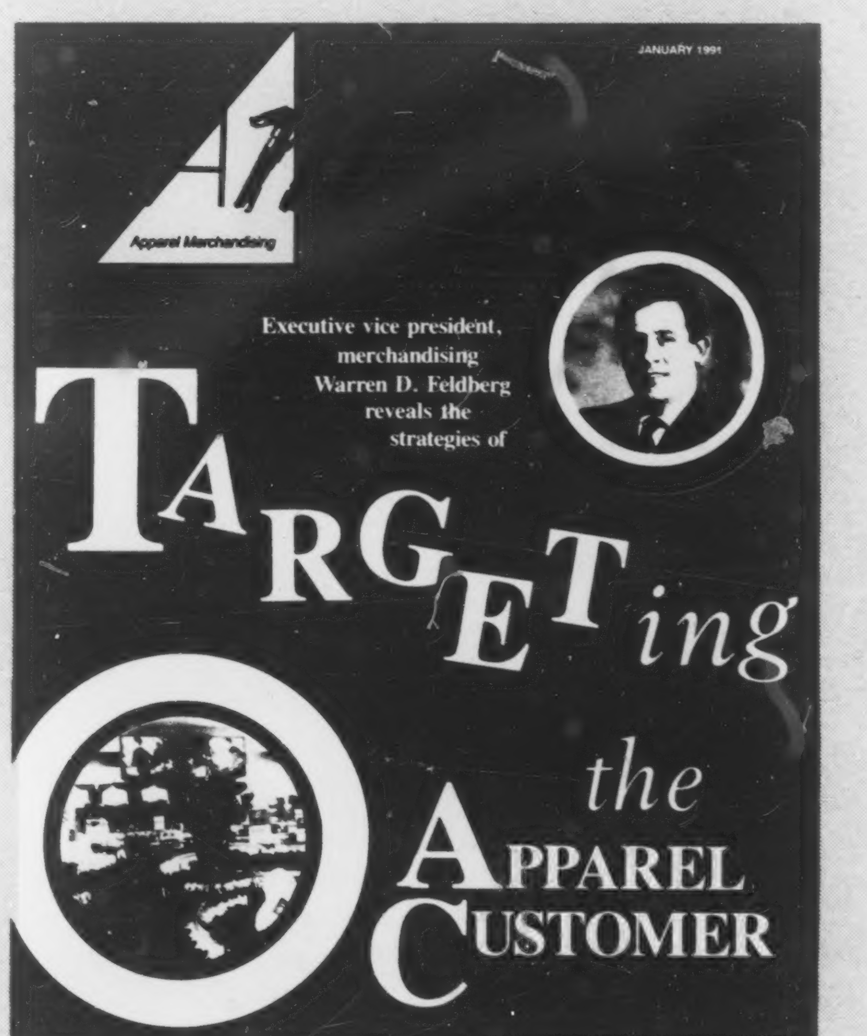
JANUARY 1991
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Apparel Merchandising
Executive vice president, merchandising Warren D. Feldberg reveals the strategies of
TARGETing the APPAREL CUSTOMER

Apparel Merchandising, a new six times a year supplement of DSN, makes its debut this issue with a cover story on Target Stores. The special section begins after page 22.

MARKETWATCH

Stuarts Shutters Three Stores

FRANKLIN, Mass. — Stuarts, which filed Chapter 11 last month, has closed three of 23 stores. They were in Lawrence and North Weymouth, Mass., and its single Connecticut unit in New Britain.

Kmart Foresees Drop in '90 Sales

TROY, Mich. — Kmart, blaming poor apparel sales and extensive department store discounting during the holiday season, said its fourth quarter and 1990 sales will fall below 1989 levels. Before taking a charge for store remodeling, Kmart earned $396 million in the fourth quarter of 1989 and $745 million for the year ended Jan 31, 1990. After the charge, however, Kmart reported a fourth quarter loss of $20.5 million and 1989 earnings of $322.7 million. Previously, Kmart reported that same store sales dipped 1.5% in November, 1990, and rose 1.2% in December.

Bargain Town Parent Files Bankruptcy

MONTGOMERY, Ala. — Enstar Group, parent of the Bargain Town USA dollar store chain, has declared Chapter 11 and plans to shutter an undisclosed number of its 732 specialty retail stores. In addition to 72 Bargain Town USAs, Enstar also operates 373 Shoe City shoe stores and 287 Simply 6 and Max 10 off-price apparel stores.

Discounter Picks Winner in Sweepstakes

WILSONVILLE, ORE. — Anna Shelley, 74, was the winner of a $17,000 Subaru station wagon in a sweepstakes sponsored by G.I. Joe's, the discounter based here. Shelley's entry was chosen from more than 125,000 entries in the Subaru Sweepstakes, which ran last fall. According to Shelley, the only thing she had ever won before was a casserole pie plate.

Principals Affirm Jamesway's Survival

SECAUCUS, N.J. — A large number of Jamesway shares were recently bought by its chairman Herbert Fisher and Floyd Hall, one of the company's directors. Analysts saw the move as an affirmation by the two executives that the retailer would survive its current fiscal woes. The chain has reported declining earnings for the last three years. In addition, no new president has been named since Arlie Lazarus resigned last summer.

Unrine Resigns as Prez of Hit or Miss

FRAMINGHAM, Mass. — Thomas Unrine has resigned as president of Hit or Miss, the off-price apparel chain operated by TJX Cos. The company also reported that Hit or Miss' performance "continued lower than had been anticipated." Sales for its other divisions, T.J. Maxx and its Chadwick's catalog, continue to run strongly, the company said. Sales for TJX overall for the four weeks ended Dec. 29, 1990, were $239 million, up 19.4% over the same period a year earlier. Bernard Cammarata, president and ceo, said that a search for a new president at Hit or Miss would begin immediately.

Conair Purchases Intra-Sonics Products

CHICAGO — Conair Corp. purchased two existing products and one product in development from Los Angeles-based Intra-Sonics Laboratories at the start of the Housewares Show. Sonassage is a massager that makes use of sound waves, while California Facial is a skin cleanser which uses the same sound wave technology. Both products were in test at retail for four months and already have shown "phenomenal sell-through," said Lee Rizzuto Jr., Conair vp, new products. Conair also purchased Sonaderm, a skin therapy cleaner for teenagers, which has not yet been introduced to the retail market.

McAlear to Head Kmart's Pay Less

TROY, Mich. — Kmart promoted Tim McAlear to president and ceo of its Pay Less Northwest drug store chain. Since 1987, McAlear served as executive vp and coo. He replaces Ron Schiff, who resigned for personal reasons. Pay Less operates 320 drug stores in nine western states.

A New Target Exclusive

Merona Sportswear Collection Debuts Next Month

MINNEAPOLIS — Target Stores is developing and designing an exclusive line of sportswear under the Merona label. The discounter will begin marketing a full complement of Merona products throughout the chain beginning in February, according to Warren Feldberg, executive vice president, Target Stores.

Merona established itself as a colorful department store label of weekend and casual wear. Now, the label will be available only at Target. This is the first time Target is working with an established brand name to create an exclusive line for its 420 stores.

Feldberg reported that the deal had been in development for over a year. In its licensing agreement with Oxford Industries, Target will take on the designing and marketing of all Merona apparel and accessories.

> ***'With Merona, we've upgraded our top of the line merchandise, but will continue to offer the value component to our customers.'***
>
> **Warren Feldberg, exec. vp, Target**

"It is an unusual move and that's why we're so proud of it," Feldberg said. "We have been staking out our position in the market and continuing to build our strategy—to upgrade our merchandise while still giving our customers the best value. With Merona, we've upgraded our top of the line merchandise, but will continue to offer the value component to our customers."

Merona joins Target's other successful store brands including Honors, Elliot Bay and Greatland.

Feldberg reported that the line will be merchandised in strike points in the women's, men's, boys' and girls' departments in the chain. The spring collection that will be introduced in February includes women's, men's, boys' and girls' apparel, casual footwear, handbags, belts and hosiery.

Merona began designing weekend wear in 1978 and concentrated on color, detail, function and 100% natural fibers.

"It's a fresh look with classic appeal. We're confident our Target customers will appreciate Merona's quality and versatility," said Karolyn Wangstad, vice president of trend merchandising, Target. Merona label merchandise will tie into a key seasonal trend theme and will be color coordinated.

For a fuller look at Target's apparel merchandising strategies, see the *DSN's Apparel Merchandising* cover story inside this issue.

Case Studies on Tap at QR Confab

NASHVILLE, Tenn. — Case studies and the inside 'dope' on retailer-vendor relationships that are the key to QuickResponse will be the main topics of discussion at the QuickResponse 91 conference to be held March 26 to 27 at the Opryland Hotel here.

The case studies include:

- Target's implementation of a QR program with Procter & Gamble, detailed by Paul Singer, Target's vp of merchandising, planning & control and Bob Cook, Procter & Gamble's product supply manager. It will be presented March 26 at 1:30 p.m.
- Carter Hawley Hale's program with Hanes Hosiery. It will presented March 26 at 11 a.m. by Serena S. Kokjer, CHH's vp, information management and Eric Wiseman, Hanes' vp of administration & distribution.
- Dayton Hudson's chainwide implementation, will be discussed March 27 at 8 a.m. by Karen Failes-Coad, senior buyer; Edward Garvey, director of soft goods distribution, and Clyde Nelson, EDI/UPC administrator.
- Home Depot's efforts as an illustration of hard lines QR. Peter Cleaveland, Home Depot's vp, traffic and distribution, will talk March 27 at 11 a.m.

The insight presentations include:

- "The truth about QR implementation," discussed March 26 at 3:15 p.m. by Bob Martin, Wal-Mart's senior vp, management information services.
- Actual QR partnership results achieved by Target and VF Corp. Jane Lucas, Target's QR manager and Ellen Rohde, VF Corp.'s director, marketing responsiveness system, will report on the results March 26 at 1:30 p.m.

Other seminars include:

- QR support technologies, detailed by Ray Heflin, Dillard's director, QR, and Jeff Osborne, Hand Held Products', director of marketing, March 26 at 1:30 p.m.
- How to start to implement QR, discussed March 26 at 3:15 p.m. by Donna Hare, Strawbridge & Clothier's director of merchandising planning and Sam Williams, Vanity Fair's director of QR.
- Impact of carton marking and EDI standards on distribution, discussed March 26 at 2:45 p.m. by William Cobb, principal, distribution service group, Kurt Salmon Associates and Gary Stump, Polo/Ralph Lauren's vp, distribution.
- Relationship issues among retailers, vendors and trucking companies. Bruce Richmond, partner, logistics practice, Andersen Consulting; Jim Hansen, Consolidated Freightways' manager, MIS, and Braxton Vick, Carolina Freight's senior vp of corporate services will examine the issues March 27 at 8 a.m.

QuickResponse 91 is cosponsored by VICS and AIM USA. Information and reservations are available from AIM USA, (800) 338-0206.

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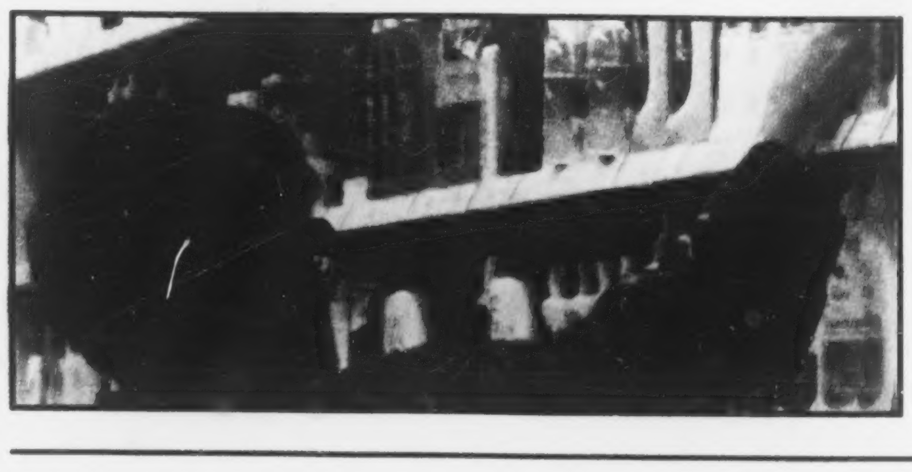

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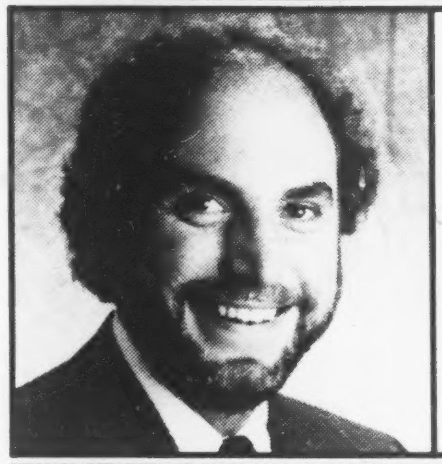
EDITORIAL

A Word Retailers Can't Live Without

I am haunted by a four-letter word. And I'm sure it causes a queasy feeling for many retailers as well. The more retailers use this word, the more dependent they become on it, and the harder it is to break the habit—although many retailers wish they could. Shoppers love this word—and just can't seem to get enough of it. They crave it, they dream about it, they can't live without it. And no matter how hard retailers try to wean shoppers, they can't. They succumb—for better or worse.

The word—if you haven't already guessed—is sale. Retailers are implementing every gimmick they can in hopes of generating business.

Most shoppers don't understand the difference between an everyday low price, a sale price, a special purchase or a limited offer. It's all gobbledygook to them.



TONY LISANTI
Editor

Shoppers also don't distinguish between retail concepts and strategies the way retailers and observers do. The average shopper doesn't know the difference between an off-price apparel store or discount department store or a specialty discount store or a regular department store. However, shoppers do identify concepts that offer the best price or the best service!

The closer it got to Christmas, the more retailers slashed prices. Meanwhile, shoppers waited for prices to dip lower.

Consider the comments by columnist Kathleen O'Brien in the *Bergen Record*, a daily newspaper in New Jersey: "Holding the after Christmas sales before Christmas has a great deal to recommend it, and we're giving retailers notice right here and now that we want the same thing to happen again next year."

O'Brien continued, "As shoppers, the bargain slide rule in our minds has been altered so drastically that we have a brand new set of calculations for what constitutes a real find:

- 10% off—Not worth pulling into the parking lot.
- 20% off—Won't even break stride to check out the goods.
- 30% off—Well, now at least we aren't offended.
- 40% off—That's more like it.
- 50% off—Now we're talking.
- 60% off—Why didn't you price it this way in the first place and save us both the aggravation?"

It's a Catch-22. Retailers can't live without the four-letter word; neither can consumers. You can't fool a smart shopper.

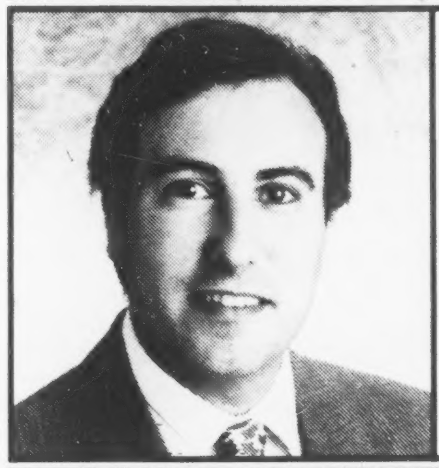
BUYERS & SELLERS

Considering Consumer Goods as Services

One of the "most fascinating" business ideas for 1991, according to *Fortune* magazine, is a management idea that posits that there are no products—only services.

This philosophy, as described by a professor at the Harvard Business School, encourages companies to think of every product they buy or sell as a service. For example, Toyota formed a partnership with IBM to track the maintenance record of every Lexus it sells. Such a partnership shows that the manufacturer is not selling a car, but dependable transportation. The automobile is just one of many services the dealer can offer.

This orientation should be used more effectively in discount retailing. Such an orientation starts out with a predisposition toward customer service. A manufacturer makes a product that fulfills an identified need in the market, rather than making a product and then looking for people to buy it.



DON LONGO
Exec Editor

The real power of this concept comes into play when every company along the entire product distribution pipeline makes servicing the customer the ultimate goal. This "supplier integration," as it's called by one consulting firm, creates alliances where value is placed on long-term, mutually beneficial relationships.

"Companies that think of the products they buy and sell as services can look for economies in the whole transaction, not just on the assembly line," says Thomas Stewart of *Fortune*. "Buffer inventory may virtually disappear in a just-in-time system. Or new products may be conceived when the manufacturer thinks not just about what it makes but also about how its customers use it . . . "

Most consumer goods can be thought of as services. Home computers and other home office products are sold more for the service, or problem they solve, than for the actual hardware. A company doesn't manufacture a computer; it delivers a service that helps the end user manipulate information. A microwave oven is less a machine for cooking food than it is a special service that fulfills a need for many millions of time-pressed Americans.

This concept is a natural progression from Quick Response. Under Quick Response, retailers and manufacturers are redefining their relationships. Retail buyers now work more closely with suppliers to reduce the total cost of procuring raw materials, assembling and shipping product to their stores. When these products are thought of as services, greater benefits will be realized.

WASHINGTON REPORT

Court Case Puts Parallel Imports in Jeopardy

An old problem—the prospect of crippling government restrictions on parallel imports—will be a serious threat to the discount store industry again this year.

The immediate concern for the government affairs crew at the International Mass Retail Association: a court case pending in Washington that could open the door for multinational manufacturers to monopolize the distribution of their products throughout the United States.

KEN RANKIN

That case—an effort by Lever Bros. to curb imports of their own soaps and dishwashing detergents by "unauthorized" independent distributors—is hardly the first legal attack on parallel importing. However, the Lever Bros. case features a fresh twist, and a new danger to U.S. discounters and other retailers who rely on parallel imports. Lever, however, is arguing that the soaps which are being parallel imported from the United Kingdom are a physically different product from those that they sell here, even though they bare the same trademark. In seeking an exclusion order, the company is not challenging parallel imports as a violation of the U.S. Tariff Act—the route taken by other gray market foes. Rather, Lever is trying to use federal trademark law to curb independent "unauthorized" importers.

For discounters who depend on parallel imports as an important supply source, a wrong ruling in the pending soap case could cause some slippery footing in the marketplace. Foreign manufacturers bent on short-circuiting parallel imports could simply make some minor cosmetic change in goods destined for sale abroad, and then, like Lever, claim that the parallel imports were totally different products.

That soapy legal challenge is only part of the campaign now being mounted against parallel imports here in Washington. IMRA fully expects Congress to jump into the fray early this year with new legislation to overturn pro-gray market rules.

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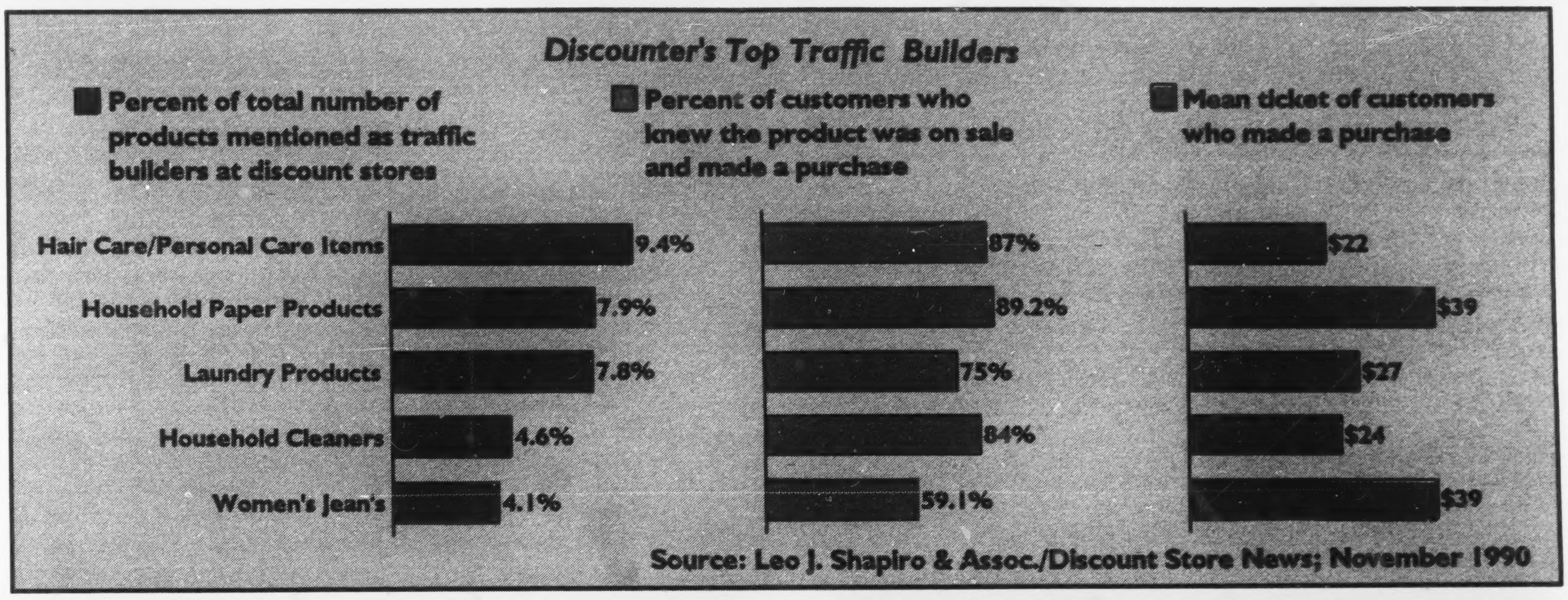
Everyday Low Price Strategies Take Hold

Discounters' low price message appears to have taken hold. According to DSN's annual Traffic Builders Survey, fewer shoppers were drawn by specific sale items last year, as everyday low price strategies became more prevalent in the industry. However, of those discount store shoppers who did see an ad before shopping, 75% made a purchase, and the total sales ticket, including all purchases, generated by promotional shoppers rose to $40. Of products that discount shoppers did see on sale, hair care and personal care items was the top traffic builder last year, according to the exclusive survey conducted for DSN.

Focus on EDLP as Price/Item Ads Trimmed



Source: Leo J. Shapiro & Assoc./Discount Store News; November 1990

The Fifth Annual Traffic Builder's Survey conducted for *DSN* by Chicago-based Leo J. Shapiro & Associates confirmed that discounters continued to pare price-and-item advertising during 1990, moving steadily toward everyday low pricing. Nonetheless, customers spent more, on average, during a promotion-driven shopping trip than in years past.

Last year was one of returning to retail roots: discounters emphasized commodities like paper goods and cleaning supplies, while department stores and merchants like Sears and JCPenney focused more on women's apparel, surrendering aggressive domestics promotions to the growing ranks of bed & bath specialty stores and direct mail retailers.

Overall, 1990 was a good promotional year for discounters. While roughly the same number of people responded to promotions as last year (75%), when they bought, they spent more dollars. The average purchase of consumers shopping for an ad item was $40, reflecting a fairly steady climb since 1987 when it was only $28.

Customers spent more when shopping a promoted category, but reduced advertising by retailers resulted in a steady decline in the number of consumers who knew of a sale before going to the store. In 1987, 70% knew of a sale before shopping at a given store; by last year it had fallen to 45%.

The top five traffic builders at discount stores during 1990 were hair care/personal care, household paper products, laundry products, household cleaners and women's jeans.

Candy—which was 1989's leading traffic builder among discount store shoppers—did not appear on the 1990 list because the survey was conducted in September instead of October when Halloween drives candy sales and promotions.

Promoting a category more did not necessarily result in consumers spending more. Hair care/personal care items were named as the advertised product the shopper was planning to buy at a discount store more than 9% of the time. While this reflects a 2% increase in the number of shoppers who were destined to buy this category, they walked out of the store spending less in 1990 than in 1989—$22 in 1990 compared to $27 in 1989.

The same was true of household cleaners where the average amount spent when shopping for this category on promotion declined by $10, to $24 in 1990.

In contrast, household paper products on ad generated the same customer traffic (7.9%), during the two years, but also resulted in increased spending on a marketbasket of goods in 1990. In 1989, an average of $33 was spent among shoppers responding to an ad for household paper products, compared with $39 in 1990.

The lower priced commodity items were generally more effective in getting shoppers to pick up additional merchandise. A discounter that advertised women's jeans and household paper products during 1990 could expect shoppers of either category to spend an average of $39 at the cash register, based on the study.

Department stores reclaimed many of the promotion-oriented women's apparel shoppers who had strayed to discount store channels during 1989. Department stores had put women's wear promotions on the back burner during 1989 when these retailers experimented with non-apparel categories with which other retailers were successful.

These non-apparel categories included home store items (mirrors, closet organizers and pictures), sheets, comforters, bedspreads and toys/-games. This merchandise was named by shoppers as being items they had gone to the department store to buy in 1989, but were not instrumental in gaining store traffic in 1990.

The beefed-up promotions in women's apparel during 1990—whether through greater ad frequency, or sharper pricing or both—were evidenced by huge numbers of shoppers who said women's clothing ads were the magnets that drew them to the store. Nearly 65% of all advertising that made women decide to go to a department store was for women's apparel in 1990, up from 42% the previous year.

Women's apparel was also the promotional thrust at Sears, JCPenney and Ward in 1990. Roughly 63% of people who shopped at a mass retail outlet said women's apparel was the reason they had come to shop, up from 43% in 1989. The strongest surge in traffic

(Continued on page 20)

*Discounters' Top Traffic Builders**

Hair Care/Personal Care Items draw the most traffic at discount stores.

Percent of total number of products mentioned by shoppers as traffic builders at discount stores:	
Hair Care/Personal Care Items (3)	9.4%
Household Paper Products (2)	7.9
Laundry Products (6)	7.8
Household Cleaners (5)	4.6
Women's Jeans (11)	4.1
Toys/Games/Dolls (4)	4.0
Home Care (e.g. mops, brooms) (—)	3.4
VCR Tapes (—)	3.2
Women's Shoes/Boots (18)	3.1
Sheets, Comforters, Bedspreads (8)	2.9
Food (e.g. spices, cookies) (7)	2.9
Women's Lingerie/Sleepwear (12)	2.7
Women's Sweaters (17)	2.0
Anti-Freeze (—)	2.0
Window Coverings (—)	1.9

Top 15 of 20 products mentioned; last year's ranking in ( ); new entries indicated by (—).

Source: Leo J. Shapiro & Assoc/Discount Store News; November 1990

Sears, Penney, Ward Top Traffic Builders

Women's blouse/shirts and women's clothing are the top traffic builders for mass merchants.

Percent of number of products mentioned by shoppers as traffic builders at mass merchants:	
Women's Blouses/Shirts	13.5%
Women's Clothing	9.5
Women's Dresses	9.5
Women's Dress Pants/Slacks	7.2
Women's Shoes/Boots	5.7

Source: Leo J. Shapiro & Assoc/Discount Store News; November 1990

Department Stores' Top Traffic Builders

Women's apparel took the first five positions.

Percent of total number of products mentioned by shoppers as traffic builders at department stores:	
Women's Clothing	14.4%
Women's Dresses	8.9
Women's Jeans	7.5
Women's Dress Pants/Slacks	6.8
Women's Lingerie/Sleepwear	6.3

Source: Leo J. Shapiro & Assoc/Discount Store News; November 1990

Dependence On Promotional Advertising

The promotional orientation of discount department stores, department stores, specialty stores, discount specialty stores and drug stores showed a decline this year.

Percent of shoppers who knew of a sale item before visiting store:

Retailer	**1990**	**1989**
JCPenney	31.7%	60.2%
Montgomery Ward	29.0	61.9
Sears	17.9	47.8
Ames/Zayre	68.5	40.6
Target	51.0	48.6
Kmart	45.1	50.4
Wal-Mart	30.7	42.2
Discount Department Stores (Net)	46.9	55.6
Department Stores	39.7	47.0
Catalog Showrooms	6.7	51.4
Discount Specialty Stores	33.8	80.7
Specialty Stores	33.4	40.7
Drug Stores	16.5	49.4

Source: Leo J. Shapiro & Assoc/Discount Store News; November 1990

Everyday Low Pricing Eyed

(Continued from page 19)

building strength came from women's blouses/shirts which more than doubled over 1989.

Mass merchandisers were also similar to department stores in domestics. Like department stores, mass merchandisers sharply decreased 1990 promotions of sheets, comforters and bedspreads.

The changes in brands consumers sought on promotion in September 1990 as compared to October 1989 are indicative of just how powerful promotions by high recognition brands can be. Brands which do not appear in one year's results can top the charts the following year, especially when the maker is large enough to work with a broad base of chains in a cooperative advertising program.

Procter & Gamble's Tide laundry soap, for instance, was far and away the promotional brand leader in the 1990 study due to extensive advertising by both the retailer and the maker. Several special promotions were in effect when the interviews were being conducted.

Similarly, Rubbermaid was not on the 1989 roster but was the second most often named brand by consumers as the one they saw advertised.

Retailer promotions for the back-to-school season, coupled with aggressive expansion of the Gitano Shop concept led shoppers to say that Gitano jeans was the reason they went to the discount store.

Increased advertising of hair care/personal care, household paper and household cleaners resulted in many more of these brands being mentioned by customers as the reason they had gone to shop. The brands that appeared on the 1990 top traffic builder brands that were not among 1989's leaders include: Angel Soft, Dial, Ivory, Cover Girl, Lysol, Sparkle, Vidal Sassoon and Alberto.

Last year marked a move by many retailers away from promotion-driven selling, toward EDLP, based on the lower number of consumers who said they were drawn to the store by a sale. The same percentage responded to promotions as they did in 1989 (about 75%), so the declines listed on the Dependence on Promotional Advertising table reflect cuts in retail ad expenditures.

While exceptions such as dollar stores and certain regional chains maintained or increased their promotional spending, most made huge cuts. Department stores, mass retailers, discounters, catalogers, specialty and drug stores were all part of this shift away from promotion-driven selling.

The articles in this special section were written by the *DSN* staff. *DSN*'s fifth annual Traffic Builders Survey is based on personal interviews with 2,501 shoppers exiting discount department stores and other types of retailers in seven markets in the major geographic regions in the United States.

The study was conducted by Leo J. Shapiro & Associates, Chicago, between Sept. 13 and Sept. 23, 1990. Those shoppers had made visits to a total of 4,027 stores. Among shoppers at a discount department store, 45% knew of an item on sale before making their trip that day. Overall, 38% of the visits made to any store that day were encouraged by the shopper's knowledge of a sale. This is significantly lower than the 54% that was found in 1989.

Discounters Top Traffic Builder Brands*

Tide, Rubbermaid and Prestone led the list of top traffic builder brands.

Percent of total number of brands mentioned by shoppers as traffic builders at discount stores:

Tide	11.5%
Rubbermaid	5.1
Prestone	4.2
Gitano	4.1
Sasson	3.5
Fisher Price	3.5
General Electric	3.4
Angel Soft	3.3
Dial	3.2
Ivory	2.9
Cover Girl	2.6
Lysol	2.5
Sparkle	2.3
Vidal Sassoon	2.2
Kleenex	2.1
Hanes	2.0
Amoco	2.0
Mattel	1.9
Clorox	1.9
Alberto	1.8

*Top 20 of 50 brands mentioned.

*Source: Leo J. Shapiro & Assoc./*Discount Store News*; November 1990*

RETAILERS
from coast to coast
report:

"MIRACLE-GRO was the only major product line to show an increase in 1990"*

If you are worried about 1991 —
keep that in mind.

Miracle-Gro
PLANT FOOD
for
ALL FLOWERS
ALL VEGETABLES
ALL GARDEN PLANTS

*Garden chemicals

The power of promotions

Nothing warms a retailer's heart more than the sight of a crowded selling floor. In fact, packing in customers is arguably the single most important duty of any merchant.

But that's easier said than done. In fact, despite a good deal of talk to the contrary, price promotions remain a primary tool that retailers use to lure the throngs.

As it turns out, apparel ads are among the most effective traffic builders, according to an exclusive study by Leo J. Shapiro & Associates. *(See more Traffic Builders reports elsewhere in this issue.)*

Women's jeans are the leading traffic draw in the apparel category among consumers who said they were drawn to a discount store because of a published promotion. On the average, shoppers who are brought in by women's jeans advertising spend $39—although not necessarily on jeans—in the store.

Women's jeans are the leading apparel draw among discount store shoppers who saw ads for the classification.

Women's intimate apparel—lingerie and sleepwear—places second in mentions, spurring consumers to spend $33, while women's sweaters are the next best apparel traffic draw. Consumers who see sweater advertisements spend $33 on average. Next on the apparel list is women's shoes and boots, which generate median sales tickets amounting to $31 among those at discount stores. The fifth top apparel traffic builder is women's accesories. This category also generates an above-average total spending ticket of $50.

It will no doubt please retailers to know that all these classifications not only bring in shoppers, but in many cases the customers are prompted to purchase the items that they see advertised.

For instance, those shopping for women's shoes and boots may have spent only $31, but a full 74.3 percent of those drawn in by a shoe promotion actually purchase the shoes. More than 81 percent of those corralled by intimate apparel purchase the sale item. About the same number of those responding to women's blouse promotions buy them. Seventy-one percent of those attracted by sweater ads purchase these tops.

Surprisingly, women's jeans don't fare quite as well. Just over 59 percent of the shoppers who come to a store after seeing advertisements for women's denim end up buying jeans.

WAL-MART
GRAND OPENING
Bradlees
Wrangler
FOR THE STORE NEAREST YOU 1-800-
Montgomery Ward

Chains' circulars and other promos featuring apparel are substantial traffic builders, according to an exclusive Leo J. Shapiro/*DSN* survey.

Other apparel classifications also prompt good sales of promotional items. It is almost astonishing that all of the respondents who mentioned jogging suits as one of the items they see promoted have purchased one due to that promotion.

Over 89 percent of those who knew of a men's underwear sale say they got the product that they saw on sale. Underwear generates $42 in sales tickets.

In general, a higher percentage of discount store shoppers actually purchase promotional items than those who shop in other retail outlets. A full 75.4 percent of discount store shoppers say they made the purchases in all the categories that they came into the retailer to see. Only 56.5 percent of those shopping department stores actually made purchases of the sale items. At mass merchants—Sears Roebuck and Co., JCPenney and Montgomery Ward—the figure is 49 percent.

While the top apparel classifications were not the leaders in producing the highest total tickets, the clothing category as a whole does, in fact, lead the list of the top sales tickets.

Shoppers who see women's apparel advertisements and make purchases of what they see advertised will spend, on ►

Customer Purchases of Apparel Traffic Builders

Product Category	Percent of Shoppers Who Bought a Product They Knew Was On Sale	Mean Ticket of Those Who Bought the Sale Item*	Percent of Mentions by Frequent Shoppers at All Stores**
Women's Jogging Suits	100.0%	$46	52.4%
Men's Underwear	89.0	42	66.9
Infants'/Toddlers' Clothing	81.9	33	60.9
Lingerie/Sleepwear	81.7	33	72.6
Women's Blouses/Shirts	80.7	42	52.0
Children's Clothing (size not specified)	78.2	64	36.3
Women's Shoes/Boots	74.3	31	71.0
Women's Outdoor Coats/Jackets	73.6	56	35.6
Women's Sweaters	71.0	33	44.5
Men's Shoes/Boots	69.3	60	68.9
Women's Dress Pants/Slacks	68.0	46	46.3
Women's Accessories	64.2	50	46.5

Source: Leo J. Shapiro & Assoc./Discount Store News; November 1990.
** Could include other items as well as sale items. ** Customers who shopped store at least twice a month.*

average, $104 in total purchases.

The high sales ticket on women's clothing probably means a complete outfit is being bought. Because the clothing may be more expensive, the total may include fewer items.

Perfume is a distant second, with $83 spent on this category by shoppers who knew of a promotion and make the purchase.

The study found an average of $40 is spent among all shoppers surveyed.

Many apparel classifications garner sales tickets above this average at discount stores.

In specific women's product areas, women's dresses capture a sales ticket of $66, while women's coats and jackets come in at $56.

Children's clothing spurs spending of approximately $64. In the infant/-toddler range, shoppers spend a little less, $33.

In men's wear, shoes and boots garner about $60. Men's shirts also do well, with $50 in total sales tickets in this category.

Compared to 1989, the two apparel categories most mentioned in the 1990 survey made the biggest jump from '89. Women's shoes and boots rank fourth overall in 1990, but were 13th in 1989. Women's jeans also moved up several notches. Jeans, fifth in 1990, were only tenth in the ranking list in 1989.

The largest drop in ranking occurred in women's accessories. That category was ranked seventh in 1989 but 22nd in 1990.

At department stores and mass merchants the categories vary only slightly. Women's blouses and shirts lead the apparel category among the mass merchants, followed by women's dresses, casual pants and slacks, women's shoes and boots, and the lingerie/sleepwear classification.

At department stores, women's dresses are most often mentioned by shoppers who see a promotion on the items for the store. This is followed by women's jeans, women's casual pants and slacks, women's shoes and boots, and men's shirts.

Top Apparel Traffic Builders by Outlet

Product Category	Percent of Total Mentions at All Stores	Discount Stores Percent of Mentions in Category	Mass Merchandisers Percent of Mentions in Category*	Department Stores Percent of Mentions in Category
Women's Shoes/Boots	4.4%	51.4%	7.0%	8.4%
Women's Jeans	4.0	74.1	—	11.3
Women's Blouses/Shirts	3.5	29.4	20.8	8.3
Women's Lingerie/Sleepwear	2.9	65.9	7.5	12.9
Women's Sweaters	2.5	57.6	8.9	24.6
Women's Clothing	2.4	30.5	21.5	36.1
Women's Dress Pants/Slacks	2.3	37.1	17.1	18.0
Women's Dresses	2.3	1.7	22.7	23.6
Jogging/Tennis/Gym Shoes	2.2	21.1	10.5	3.4
Infants/Toddlers' Clothing	1.9	39.5	15.2	—
Men's Shirts	1.5	36.0	14.4	23.9
Women's Accessories	1.5	45.8	14.6	9.7

Source: Leo J. Shapiro & Assoc./Discount Store News; November 1990
**Includes Sears Roebuck and Co., JCPenney and Montgomery Ward.*

Gitano is the most mentioned apparel label by consumers brought into stores by a sale. A full 16 percent of all discount store customers say a Gitano promo lured them into the store.

When asked to name brands specifically, Gitano is the most often mentioned apparel label among customers brought into any kind of store by a sale. Overall, Gitano is the fourth most mentioned brand among discount, department and specialty shoppers when considering all product categories. That represents a tremendous increase in positive responses for the brand since 1989. Gitano was mentioned in 1989's survey, but only managed a rank of 43 for 1989.

A full 16 percent of all discount store respondents say Gitano is the brand that they were shopping for on promotion.

Sasson, sixth when considering all retail outlets and fifth among discounters, follows second behind Gitano in the apparel category. However, in a sense Sasson made the biggest leap in terms of brand mentions by shoppers compared to 1989. It is high on the list for 1990 but was not mentioned at all in 1989.

Jordache, third; Hanes, fourth; and Chic, fifth; round out the top five apparel brands mentioned most often by discount shoppers who came to the store after spotting an ad.

Levi's is another brand that also ranked well overall, coming in tenth, but it only ranks 45th among discount stores. This is due to its prevalence among department store and mass merchants, where it leads in terms of brands mentioned by shoppers. Its low standing among discount shoppers is not surprising because Levi Strauss, by policy, doesn't sells its Levi label goods in that distribution tier. Instead, the company uses the Brittania labels to address discount stores.

The biggest fall was taken by Lee. It was the number one brand mentioned in 1989, but surprisingly is only 21st in 1990.

In trying to determine the success of promotions of both brands and categories, one of the questions the survey poses to shoppers is the frequency with which they visit the various kinds of stores.

Of all the customers queried at discount stores, 77.2 percent say they shop the stores often. This figure and the figures reported by individual stores show that shoppers still expect a bargain at discounters and actively go looking for them. To a large extent it remains a price-driven tier.

Published promotions appear to offer consumers at other types of stores less incentive to shop. Only 31.6 percent of shoppers at mass merchants who were brought in by a sale say that they shop there often. At department stores, only 37.5 percent of shoppers go there often.

At discount stores specifically, the three leading classifications that cause consumers to change their shopping patterns are women's dress pants, women's sweaters, and women's jogging suits.

A greater number of infrequent discount store shoppers say that these categories are the ones that attract them to a store via an advertisement.

Of the shoppers interviewed for the study, Ames customers seem to be the most promotion-aware, followed by Target and Kmart.

At the financially squeezed Ames, 68.5 percent of shoppers know of a sale item before visiting the store, according to the Shapiro poll. At the same time, 53.8 percent of those say they shop the store often.

Of those shoppers visiting a Target, 51 percent know of a sale and 87.6 percent of them shop there often. At Kmart, 45.1 percent of the consumers are aware of a sale, and 80 percent see themselves as visiting the store frequently.

Wal-Mart's everyday low pricing strategies appear to be paying off. Among full-line discounters in the survey, Wal-Mart had the smallest percentage of shoppers drawn to the store because of a specific sale item, 30 percent; yet a full 87.7 percent of those people say they shop there often.

At discount specialty clothing stores, 36.4 percent of shoppers say that they are aware of a sale before they visit the store, and 67.8 percent of them also say that they shop there often.

The survey also found that women are more responsive to promotions than men. As might be expected, older shoppers, of both sexes, are more aware of promotions.

In an ideal retailing universe, merchants would be able to induce consumers to make their purchases at full price. Realistically, however, promotions remain an intrinsic part of successful merchandising.

New Shoppers Baited by Ads But Not Biting

Discount, drug, specialty and department stores were generally able to both increase the percentage of their customers who walked out of their stores with a promoted item and boost the average number of dollars spent at the register during that shopping trip.

However, the consumers making these purchases are loyal customers, those who probably would have shopped at the store even if there was not a sale in progress.

Based on *DSN's* Fifth Annual Traffic Builders survey findings, some retailers were unable to get new shoppers to make the buy, even if effective advertising lured consumers into the store.

For Sears and JCPenney, both the percentage of customers who made a purchase and the amount ad customers spent declined. Reasons for successful versus unsuccessful promotions rest primarily on the retailer's in-stock positioning and selection.

Target was the most effective individual retailer studied in terms of its ability to sell the merchandise it promoted. The average discount industry sell-through rate for customers who went to buy a sale item and actually walked out the door with the merchandise is 75%. Target, which had a below average purchase level in 1989 (70.4%) made an enormous turnaround last year, exceeding Wal-Mart in its ability to make the sale.

As the number of people who walked out of Target stores with a sale item rose to 88.6%, the average ticket also jumped by $10 to $46, exceeding all other full-line discounters studied.

In-stock positioning could be one factor in Target's success; the chain recently fortified its distribution system to stores.

Wal-Mart ad shoppers had the largest mean ticket increase of all types of retailers with the exception of department stores. The average cash register receipt of ad shoppers rose by $17; department stores were up by $30. Sales of higher-ticket goods and more add-on purchases led to these dramatic increases.

Kmart, while still below the industry average in both mean ticket and percentage of customers who purchased an ad item, had improved over 1989. More attention to in-stock positioning, especially on advertised merchandise, has aided the chain's sell-through.

Discount specialty stores were unable to achieve the 92.4% sell-through rate enjoyed during 1989, the highest of all retail channels. Still, those who did buy the sale item doled out an average of $20 more at the cash register, making discount specialty chains second only to department stores in 1990.

Drug stores, which typically have low mean tickets at the cash register to the frequently low price of health & aid products, were able to boost the

(Continued on page 26)

Total Ticket Generated By Traffic Builders At Retailers

Target and Wal-Mart shoppers were more likely to make a purchase than those shopping at other chains.

Store Shopped by Shoppers Who Knew a Product Was On Sale	Percent Who Made A Purchase	Mean Ticket
Target	88.6%	$46
Wal-Mart	86.0	41
Kmart	71.6	38
Ames	64.9	23
Montgomery Ward	63.0	75
Sears	47.0	39
JCPenney	39.6	46
Discount Dept. Stores (net)	75.4	40
Discount Specialty Stores (net)	68.8	57
Specialty Stores (net)	70.2	48
Drug Stores	66.8	14
Department Stores	56.5	79

Source: Leo J. Shapiro & Assoc./Discount Store News; November 1990

Tickets Generated By Traffic Builders At All Retailers

Product That Shopper Knew Was On Sale	Percent Who Made a Purchase	Mean Ticket
Low Cost Items		
Automotive	62.8%	$ 79
Home Care (e.g. mops, brooms)	89.7	68
Plants/Indoor/Outdoor	50.0	56
Pillows	58.3	54
Kitchen Plastics	80.6	44
VCR Tapes	84.6	42
Underwear	89.9	42
Film	100.0	40
Household Paper Products	89.2	39
Motor Oil	88.8	34
Middle Cost Items		
Women's Clothing	34.6%	$104
Perfume	49.5	83
Children's Clothing	78.2	64
Men's Shoes/Boots	69.3	60
Jogging/Tennis/Gym Shoes	63.4	53
Bath Towels	95.0	51
Cookware	87.3	51
Women's Accessories	64.2	50
Sports Equipment	58.6	50
Men's Shirts	58.7	49
High Cost Items		
Women's Dresses	57.0%	$ 66
Women's Outdoor Coats/Jackets	73.6	56
Nintendo	76.1	53
Window Coverings	62.4	52
Women's Dress Pants/Slacks	68.0	46
Women's Sportswear	57.7	45
Women's Jeans	59.1	39

Source: Leo J. Shapiro & Assoc./Discount Store News; November 1990

Effectiveness Of Product Promotions In Attracting New And Infrequent Discount Customers

All Who Knew of a Sale Item And Were Coming to Shop For:	Customers Who Shop at This Store	
	Not Often*	Often
Soda Pop	68.3%	31.7%
Women's Dress Pants/Slacks	63.5	36.5
Anti-Freeze	53.5	46.5
Pillows	51.5	48.5
Cat/Dog Food/Pet Supplies	48.4	51.6
Jogging/Tennis/Gym Shoes	46.2	53.8
Women's Jogging Suits	45.1	54.9
Women's Sweaters	44.9	55.1
Motor Oil	44.7	55.3
Plastic Kitchen Items	40.6	59.4
Window Coverings	37.2	62.8
Men's Shirts	34.4	65.6
Home Store (e.g. mirror/closet organizers)	33.8	66.2
Women's Outdoor Coats/Jackets	33.6	66.4
Fabric/Material	32.5	67.5
Men's Underwear	32.4	67.6
Women's Sportswear	32.4	67.6
Women's Jeans	31.6	68.4
Costume Jewelry	31.4	68.6
Candy	31.2	68.8

*Defined as shopping less than twice a month or more.

Source: Leo J. Shapiro & Assoc./Discount Store News; November 1990

Mead

CAMBRIDGE BUSINESSWEAR

AS IMPORTANT TO THE WAY YOU LOOK AS THE CLOTHES YOU WEAR.

New Shoppers Were Baited by Ads In 1990 but Could not be Hooked

For Sears and JCPenney, both the percentage of customers who made a purchase and the amount ad customers spent declined. Reasons for successful vs. unsuccessful promotions rest primarily on in-stock positioning and selection.

(Continued from page 23)

average ticket to $14, up $6 over 1989. The expansion of drug stores into food, stationery, housewares and other categories is key to this change.

- **New/Infrequent Shoppers**

While most discounters and drug stores generally were able to get more consumers to part with their money through promotions, the people they attracted were frequently customers that would have shopped the store anyway.

Mass merchandisers, catalog showrooms, department stores and specialty stores drew more new customers with their ads than discounters. (The high cataloger figures reflect response to both regular catalog distribution and special seasonal promotions.)

The good news is, discounters have established a loyal shopper base that is responding to everyday low pricing. The bad news is, the ad dollars discounters are spending and the gross margin reductions are apparently unnecessary in some instances, boosting store traffic by only 12% at Target and Wal-Mart, and by 22.8% for the discount industry as a whole.

JCPenney and Sears were both able to attract a large number of new shoppers, but they had less than a fifty-fifty chance of making a sale even after getting the customer into the store.

The merchandise discounters evidently chose to be their traffic generators—hair care/personal care, household paper, laundry products and cleaning products—satisfied their loyal customers and kept them coming back, but did little to expand the store's shopper base.

Topping the list of products that will get a new or infrequent customer into the store was soda pop. Nearly seven out of 10 people responding to an ad for this category would not otherwise have entered the store. Unfortunately, while soda pop is good at attracting new customers, it was not frequently mentioned as the product promotion that would get most consumers into the store.

The merchandise that pulled new shoppers into the store last year were home store items, domestics and kitchen appliances.

Women's dress pants/slacks, antifreeze and pillows were also among the categories that had a high incidence of attracting new and infrequent shoppers in 1990. Based on the average dollars spent when shopping for these items, however, these are the products that are more likely to be cherry-picked rather than resulting in add-on sales volume.

Despite retailer efforts to draw shoppers of women's clothing—especially department stores and mass merchandisers—many of the products that fall into this category did not result in a very high sell-through rate, and a low mean ticket.

For example, only 57.7% of customers responding to a sale on women's sportswear bought this merchandise and spent an average of $45, less than those who shopped for mops and brooms, plants, perfume, cookware and women's accessories, to name a few.

*Attracting New And Infrequent Customers**

Percent of infrequent shoppers who knew of a sale item before visiting store:

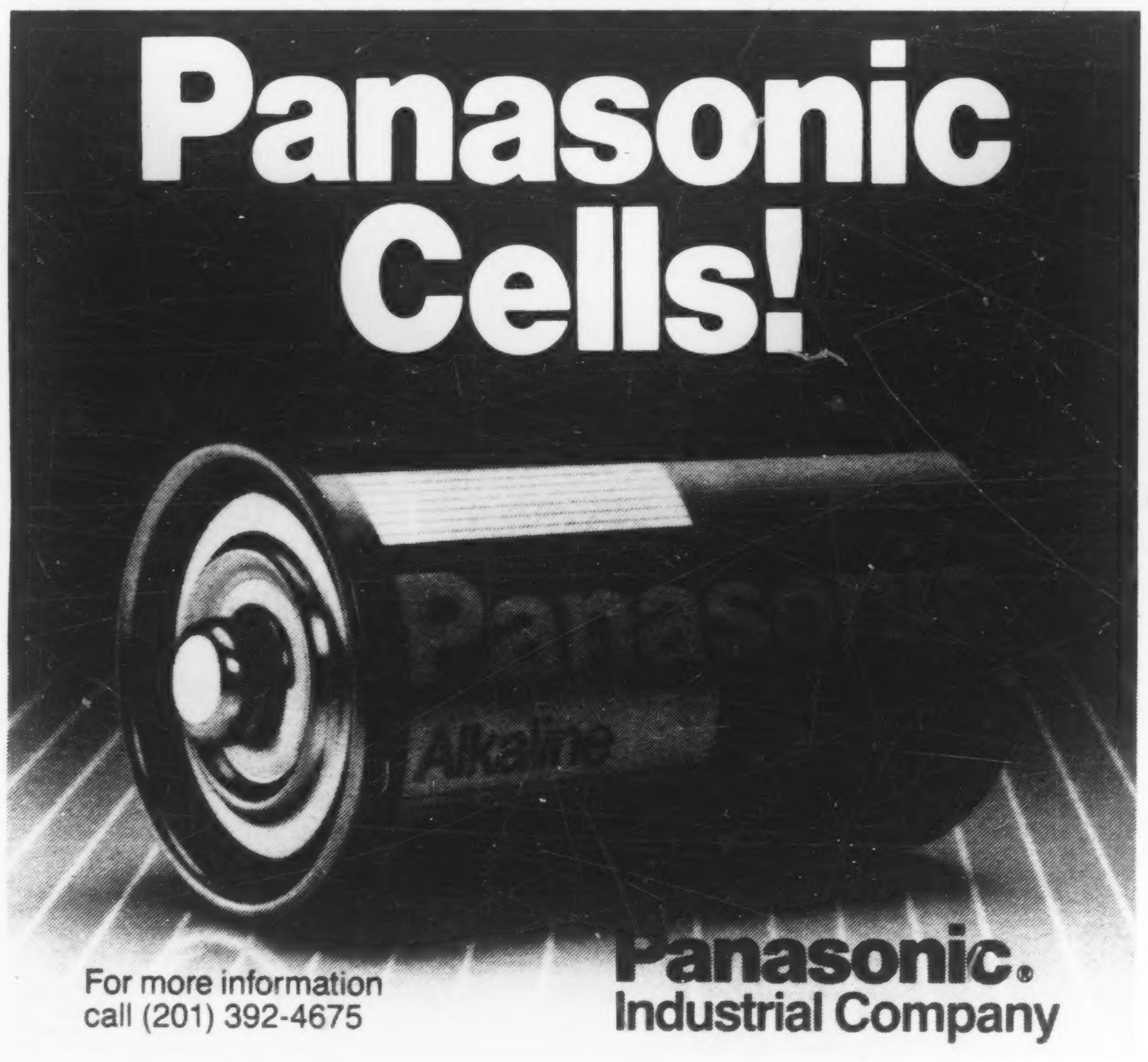
Retailer	1990	1989
JCPenney	73.4%	76.6%
Montgomery Ward	64.6	70.2
Sears	62.5	69.1
Ames	46.2	57.9
Kmart	20.0	21.9
Target	12.4	19.1
Wal-Mart	12.2	23.9
Discount Dept. Stores (net)	22.8	27.9
Discount Specialty Stores (net)	35.5	44.6
Department Stores	60.7	70.2
Catalog Showrooms	100.0	89.0
Specialty Stores (net)	59.2	61.4
Drug Stores	16.6	22.5

*Customers who shopped a store less than twice a month.

Source: Leo J. Shapiro & Assoc./Discount Store News; November 1990

GITANO
24.99

***Target, Eagan, Minn.**: The full-line discounter posted an impressive 88.6% promotional sell-through in 1990, while the industry's average was 75%.* (DSN photo)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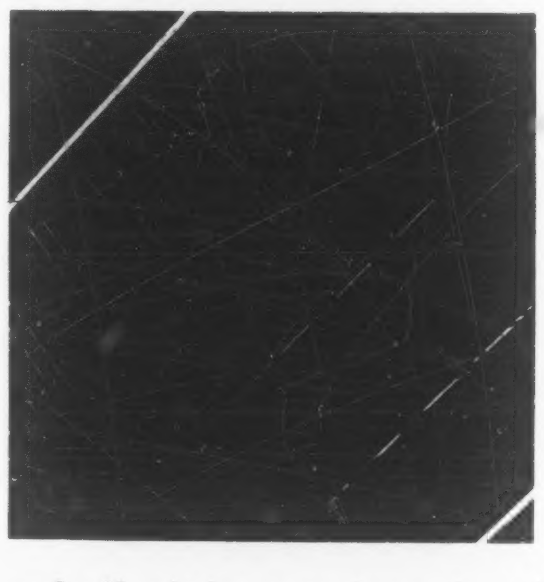
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Videotapes Draw Well in Home Products

Blanks Result in $42 Average Ticket; Ranked No. 10 Overall in the Survey

Customer Purchases of Home Products Traffic Builders

Product Category	Percent of Shoppers Who Bought a Product They Knew Was On Sale	Mean Ticket of Those Who Bought the Sale Item***	Percent of Mentions by Frequent Shoppers at All Stores**
Film	100%	$40	84.1%
Underwear	89.9	42	66.9*
Home Care (e.g. mops/brooms)	89.7	68	77.5
Household Paper Products	89.2	39	79.3
Motor Oil	88.8	34	55.3
VCR Tapes	84.6	42	74.4
Home Store	82.2	32	65.6

*Men's underwear.
**Shoppers who shopped store at least twice a month.
***Could include other items as well as sale items.

Source: Leo J. Shapiro & Assoc./Discount Store News; November 1990

Top Home Products Traffic Builders by Outlet

		Discount Stores	Mass Merchandisers	Department Stores
Product Category	Percent of Total Mentions at all Stores	Percent of Mentions in Category	Percent of Mentions in Category	Percent of Mentions in Category
Hair Care/Personal Care Items	7.2%	94.3%	1.0%	—
Household Paper Products	5.7	100.0	—	—
Laundry Products	5.7	99.1	—	—
Household Cleaners	3.5	95.7	—	—
VCR Tapes	2.6	88.3	—	—
Home Care (e.g. mops/brooms)	2.6	96.3	—	—
Sheets, Comforters, Bedspreads	2.5	83.5	2.9	1.5

Source: Leo J. Shapiro & Assoc./Discount Store News; November 1990

One of the primary purposes of advertising sale items, other than to draw new customers, is to build in-store tickets. By that measure, some home products are very effective.

At the top of the heap in home products are videotapes, which not only drew well, but resulted in an average ticket of $42. Since few shoppers spend more than $10 to $15 on a videotape at a time (and many spend far less than that), that means that each was spending some $25 to $30 on presumably higher margin goods during each visit.

Among higher cost items, bath towels were extremely effective in building tickets. Of those who visited a store looking for towels on sale, about 95% actually purchased those towels, spending an average of $51.

Given the price levels of telephones, those products were much less successful in building sales. Only about two-thirds of shoppers attracted by an advertisement actually bought a telephone, and they only spent an average of $32, not much more than the price of an average telephone.

Similarly, Nintendo shoppers spent an average of $53, roughly the list of Nintendo games, and window coverings shoppers spent about $52, not much more than they could have been expected to spend on window coverings alone.

Other home products and the tickets they produced include: Pillows, at $54, and kitchen plastics, at $44, were two low-cost products that created relatively high tickets; film, at $40, was also an excellent add-on sale creator, given its initial cost. Picture frames, with a $25 average ticket, performed respectably.

Medium cost items included cookware, with a $51 average ticket; sheets, comforters and bedspreads, at $46; tableware at $34; small kitchen appliances at $24 and fabrics at $21.

Apart from the presence of Rubbermaid and General Electric in the Top 10 traffic builders' listing for 1990, home products brands were at best middle-of-the-pack in drawing customers into discount stores. Other brands mentioned in the Top 50 brands included (in order) Nintendo, Kodak, Black & Decker, Sony and Scotch.

The results were pretty much the same by product category. VCR tapes were the top performing home products area, ranking 10th overall and followed closely by sheets/-comforters in 12th place. After that, there was a large gap, with window coverings ranking 22nd overall (but 15th at discount stores) and fabrics finishing 29th (but 24th at discount stores). Cookware, small kitchen appliances, and home store (mirrors, closet organizers, etc.) ranked 32nd, 33rd and 34th, respectively, and all did considerably better among discount store shoppers, with cookware finishing 18th at those outlets.

Other finishers included plastic kitchen items (36th), telephones (39th), tableware/-dishes/glasses (52nd), film (53rd), picture frames (54th) and Nintendo (55th). Again, all did slightly better among discount store shoppers than among shoppers overall. Film, for instance, was the 40th most popular product among discount shoppers, and telephones finished 28th.

Follow-up questioning of customers indicates that some products are better than others at drawing new customers (or, alternatively, are more prone to cherry-picking). Generally speaking, apparel performed best at attracting new shoppers. Home products were only mildly successful in this area, with only window coverings and home store accounting for more than 40% of sales from infrequent shoppers. Most other home products scored about 20% to 30%, with picture frames, film and Nintendo scoring under 20%.

Home products were, on the whole, very effective in converting a shopper into a customer—in getting the person attracted by an ad to actually plunk down their money. Every shopper lured by a film promotion, for instance, reported buying film, one of only three products that could make that claim.

Other products and the percentage of would-be shoppers who actually made a purchase included: kitchen plastics, 81%; VCR tapes, 85%; home store, 82%; bath towels, 95%; cookware, 87%; sheets, comforters and bedspreads, 76%; tableware, 71%; telephones, 69%; small kitchen appliances, 89%; fabrics, 77%; Nintendo, 76%; and window coverings, 62%.

Less successful were picture frames, at 52% and pillows, at 58%.

Overall, shoppers in all categories at all stores purchased the sale item they came for 72% of the time.

The number of mentions of products credited with bringing shoppers into stores fluctuated wildly from 1989 to 1990. Videotapes, towels and window coverings all showed strong increases over the previous year, while domestics, flatware, home store, small kitchen appliances and furniture all declined.

Pillows, film, picture frames, small kitchen appliances, Nintendo, telephones, fabrics, kitchen plastics and cookware were all new to the list of Top 50 traffic building products in 1990, an impressive showing since only one home product, furniture, dropped off the list in 1989.

Lady Pepperell Suffolk
and Cannon Ecstasy
Stripe towels
4.99
3.99
1.99

***Target, Nashville, Tenn.:** Bath towels were extremely effective for building total tickets.* (DSN photo)

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Chic® Is Moving In.

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Auto, Household Products Clean Up in '90

Home Items, Hair/Personal Care Goods Account For 5 of 10 Top Traffic Builders

Customer Purchases Of Hard Lines Traffic Builders

Product Category	Percent of Shoppers Who Bought a Product They Knew Was On Sale	Mean Ticket of Those Who Bought the Sale Item	Percent of Mentions by Frequent Shoppers at All Stores*
Household Paper Products	89.2%	$39	79.3%
Motor Oil	88.8	34	55.3
Hair Care/Personal Care	87.0	22	87.0
Household Cleaners	84.0	24	91.9
Kitchen Plastics	80.6	44	59.4
Over the Counter Drugs	79.1	18	81.2
Food (e.g. spices/cookies)	77.0	29	82.1
Laundry Products	75.0	27	87.9
Anti-Freeze	74.8	16	48.4
Candy/Gum	72.9	18	58.3

*Shoppers who shopped store at least twice a month.

Source: Leo J. Shapiro & Assoc./Discount Store News; November 1990

Top Hard Lines Traffic Builders By Outlet

Product Category	Percent of Total Mentions at All Stores	Discount Stores Percent of Mentions in Category	Mass Merchandisers Percent of Mentions in Category	Department Stores Percent of Mentions in Category
Hair Care/Personal Care Items	7.2%	94.3%	1.0%	—
Household Paper Products	5.7	100.0	—	—
Laundry Products	5.7	99.1	—	—
Household Cleaners	3.5	95.7	—	—
Toys/Games/Dolls	3.3	86.1	—	—
Anti-Freeze	1.5	96.4	—	—
Candy	1.5	84.9	—	—
Over The Counter Drugs	1.3	74.4	—	—
Cookware	1.1	100.0	—	—
Small Kitchen Appliances	1.0	76.9	7.0	16.1

Source: Leo J. Shapiro & Assoc./Discount Store News; November 1990

Even though 1990 was a tough year for retailers in many categories, some products showed their mettle, particularly pet supplies, automotive items and household paper products.

Clearly hard lines winners in 1990, ads for pet supplies, auto products and household paper products appear to encourage not only sales of the advertised items but also other products.

These consumers were lured to discount department stores and spent more money at the store in 1990 than they did in 1989, according to results of *DSN*'s annual Traffic Builders Survey, conducted by Leo J. Shapiro & Associates, Chicago.

In pet supplies, consumers said they spent $28 after arriving at a store resulting from an ad for pet supplies, $12 more than in 1989.

Ads for household paper products amounted to a mean total ticket of $39 in 1990, $6 more than in 1989, and quite a hefty sum for items that generally cost $1 to $2.

Consumers also said they spent $79 after they spotted an ad circular for automotive products such as car finish. A year ago, automotive products were not even mentioned by consumers as a merchandise category. Shoppers also mentioned auto products separately from motor oil or anti-freeze, providing insight for drawing customers into the store.

Ads for such automotive products as car batteries and brake fluid are not as successful for discounters as they are for "other" retailers, the survey revealed. (The "other" retailers include the specialty automotive outlets.) For these products, discounters are the No. 2 outlet. Strangely enough, motor oil, a top draw for discounters doesn't offer the same success for other retailers.

According to the survey, discounter ads attracted consumers best to the following hard lines items: laundry products; toys/games/dolls; anti-freeze; sports equipment; light bulbs; motor oil; diapers; candy; and dog and cat food/pet supplies.

Hard lines products accounted for half of the Top 10 traffic builders at all types of stores—discount stores, mass merchandisers, department stores and specialty outlets: hair care/personal care items (No. 1); household paper products (No. 2); laundry products (No. 3); household cleaners (No. 4); and toys/games/dolls (No. 5). The products and ranking are the same specifically for discount store customers surveyed.

The No. 1 traffic builder brand, according to survey respondents, was Tide laundry detergent. Tide was the first of 51 brands specifically mentioned by all surveyed shoppers, regardless of store outlet.

One out of 10 consumers in the survey said ads for the popular detergent attracted them to a store. Slightly more than that said a discounter's ad provided the encouragement.

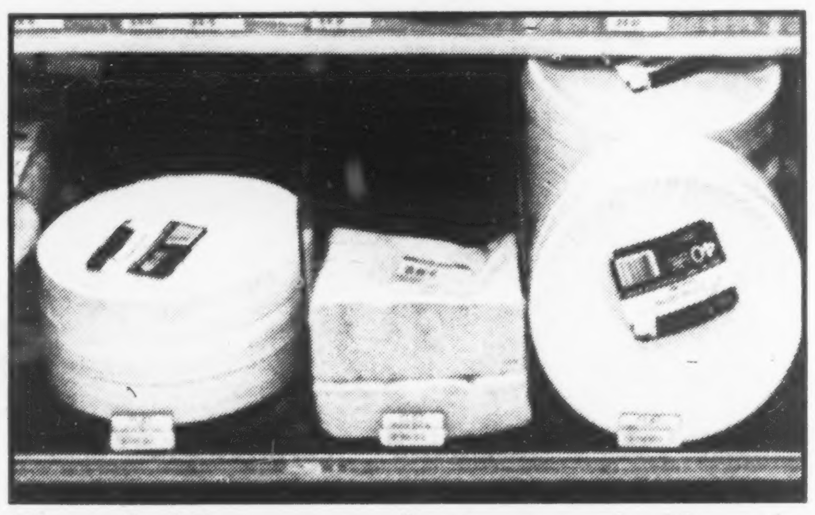
Tide wasn't the only hard lines brand mentioned by consumers as a top traffic builder, but it did set a tone. Of the top 50 brands mentioned by consumers as traffic builders, 19 were household cleaning products or paper goods such as facial tissues. The other "Top 10" brands specifically identified by consumers as traffic builders were Rubbermaid, Prestone, General Electric, Fisher-Price, Angel Soft, and Dial and Ivory, which tied for 10th.

Other top traffic builders identified by discount department store shoppers included Lysol, Sparkle, Vidal Sassoon, Kleenex, Amoco, Mattel, Clorox, Alberto, Coronet, Shout, Breck, Pepsi, Walt Disney, Hi-Dri, Black & Decker, Mardi Gras, Northern, Reynolds, Hoover, Scotch, Snuggle, Ajax, Hallmark and Worthers.

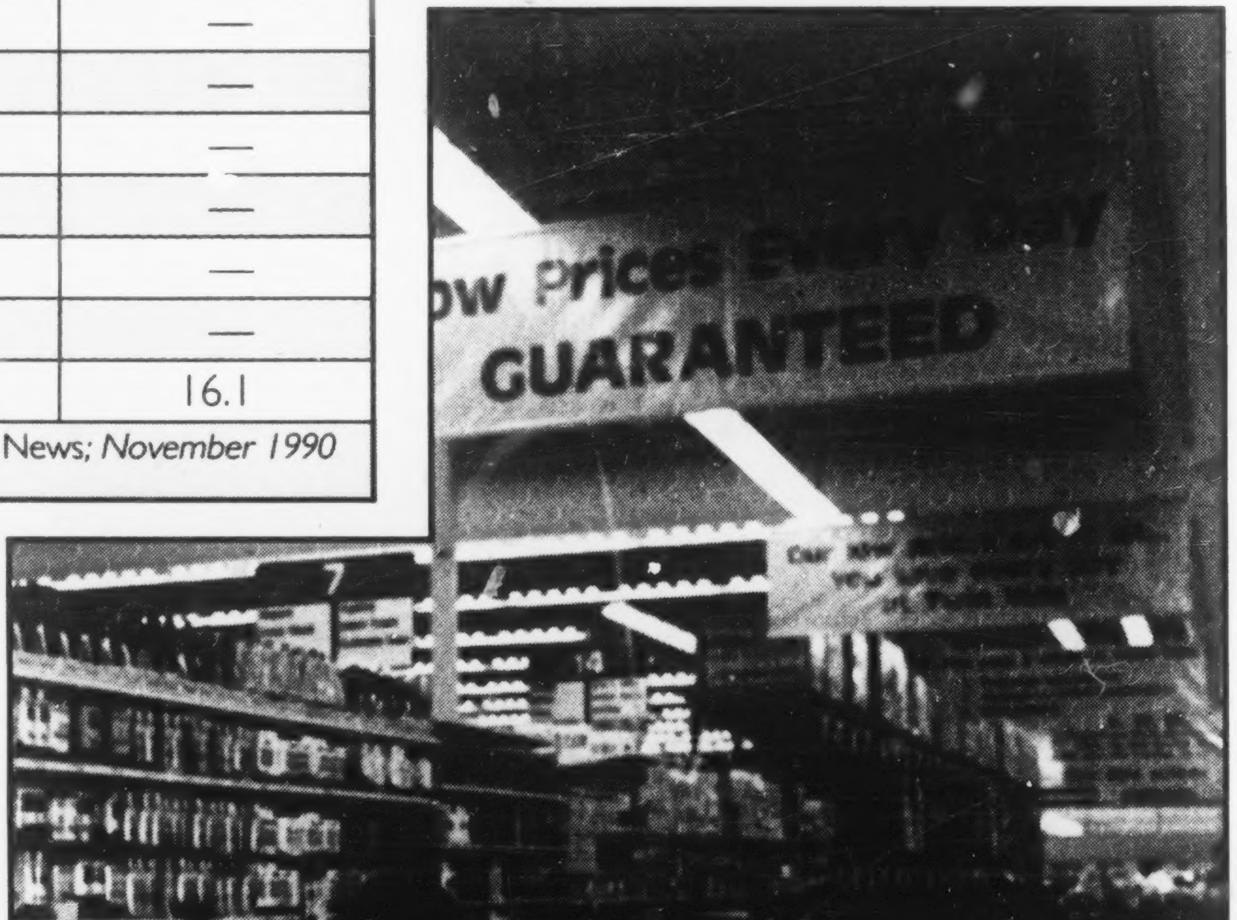
Overall, ads for household paper products, as a hard lines category, was the most successful at drawing shoppers to a discount store, displacing candy, which fell to seventh this year. As a result of an ad for household paper products, such as plates, nearly nine out of 10 shoppers surveyed said they bought a product they knew was on sale. Eight out of 10 respondents identified themselves as frequent shoppers.

Hair care/personal care was identified as the survey's top traffic builder product category overall, garnering 7.2% of all mentions, almost all of them by discount store shoppers.

***Household paper goods** amounted to a mean total ticket of $39 in 1990, $6 more than in 1989.*



***Household paper products** came in No. 2 in the Top 10 traffic builders last year.* (DSN photos)



***Hair care/personal care products** was the overall traffic builder category, cleaning up with 94.3% of mentions in discount stores.*

TRAFFIC BUILDERS SURVEY

Consumer Responsiveness to Ads, Promos Down for All Age Groups

Consumers of all ages were less responsive to retailer ad promotions last year, according to *DSN*'s Traffic Builders Survey.

The survey, conducted for *DSN* by Chicago-based Leo J. Shapiro & Associates, found that 55-year-olds continue to be the most price-conscious of all age groups, while younger consumers, those under 25, as expected, tend to be least conscious of ads and promotions.

Some of the decline is probably due to the fact that more retailers are adopting an everyday low price policy and therefore are not advertising as much or as frequently.

Women over the age of 55 were the most responsive to advertising while men of the same age group recorded the biggest decline in advertising awareness from a year ago. Conversely, this same group of men was the second most responsive group in 1989's survey.

As was the case in the 1989 study, consumers under 25 and those 25 to 34 were least aware of sales and specials. Carefree lifestyles, higher-paying jobs and more disposable income may be why these groups are not concerned with shopping for sales. The same is true for women 45 to 54. This may be explained, in part, by the increasing prominence of women in the work force and decreasing amount of time to peruse the sales circulars.

Men, in general, were less responsive, with those 25 to 44 most unaware of a sale before entering the store. A larger disposable income may explain why this group is less inclined to scan advertisements before going shopping.

Men 55 to 64 were responsible for the largest decline of awareness in the survey, falling more than 66% from last year's survey. Part of this decline may be traced to the fact that the survey was conducted one month earlier than usual. The most responsive men in the survey were those from 45 to 54. Many men in this age group are beginning to plan for the future and may engage in belt-tightening to ensure financial stability in their later years.

Another factor influencing men's dwindling responsiveness to ads overall may be the focus by Sears, JCPenney and Montgomery Ward on catagories traditionally targeted toward women. These retailers have been zeroing in on the women's apparel market while discount department stores have concentrated their advertising dollars on household commodities like laundry and cleaning products, and household paper goods.

This trend is further emphasized when evaluating men's categories like shirts, automotive and pants/slacks. All three were down from 1989's survey.

For the most part, as consumers become older, their level of responsiveness to ads increases. Higher health costs, housing costs and child care costs may contribute to this trend. Women in general are more responsive to ads primarily because many organize the family budget or are at home raising their children. Also, the rise in the number of single-parent families and the uncertain economic climate may make coupon-clipping and tighter budget constraints an essential part of life.

Shopper Profile

	Percent of All Shoppers Who Knew of Sale/Special		Percent of Women Shoppers Who Knew of Sale/Special	
Age	**1990**	**1989**	**1990**	**1989**
Under 25	27.0%	40.2%	27.3%	45.7%
25-34	37.7	52.5	40.4	54.8
35-44	39.2	53.2	41.3	57.3
45-54	39.7	59.0	39.5	61.5
55-64	40.1	61.7	46.5	65.0
65 and Over	38.2	64.8	40.0	65.6

Source: Leo J. Shapiro & Assoc./Discount Store News; November 1990

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Computer Shopping Services Square Off

(Continued from page 3)

The closest Prodigy came to discussing the financial side of its business came last fall, when the company's president, Theodore Papes, predicted that "we expect to be profitable in early 1991." The profits would be on an operational basis as Prodigy's parent companies, Sears and IBM have spent about $600 million developing the service during the past seven years, rolling it out nationally last year.

CompuServe, a wholly owned subsidiary of H&R Block, is slightly more forthcoming about the shopping service launched in 1985.

Regina Brady, CompuServe's director of customer promotions, told *DSN* that the Electronic Mall's traffic (the number of shopping trips) last year was up 10%, sales jumped 62% and the average purchase was $65 to $70, up from $55 to $60 in 1989. The response rate—total orders divided by total visits—reached 4.3%, a 13.2% increase from 3.8%.

She credited the Electronic Mall's performance to CompuServe's decision to "commit more money and resources to promoting" the service. 'Go Mall,' the full color, multi-page shopping insert, became a monthly, rather than a bimonthly, section in the *CompuServe Magazine*. Shopping was also featured as a service in CompuServe's year-long series of ads on cable TV and in news, business/financial, science and computer publications.

As for Prodigy's advertising activities, the service this quarter will launch its first national cable TV ad campaign on such networks as CNN and ESPN and also place ads in national special interest magazines like women's and auto publications. Previously, Prodigy had run spot ads on broadcast TV stations in markets where the service was accessible to computer users.

The new ad program denotes the fact that computer users anywhere in the country can now access Prodigy, said Stephen Walden, director of membership marketing. National advertising enables Prodigy to more effectively reach its target audience of upscale consumers and women, he said.

Attractive to Families

"A large number of members are women," Walden noted. New Prodigy features directed to children like an online encyclopedia should make the service more attractive to women and young families, he added.

Other promotional programs geared specifically to non-members are in the works. J. Walter Thompson is the agency for the national TV and magazine ads and those under development.

The service's direct mail program will continue to focus on 'ride-along' pieces—possibly using Shoppers Club as the logo for the brochures—sent with the *Prodigy Star* newsletter. Prodigy expects to mail about a half dozen 'stand-alones' this year, down slightly from eight sent out last year, with the pieces either spotlighting one merchant or including goods from three or four retailers.

While Prodigy funds the national TV and print ads, costs of the 'stand-alones' are born in an undisclosed ratio by Prodigy and the advertising merchants, just like the seasonal promotions run on the computer service that packages goods from a number of retailers in special on-line ads. "We take some of the income received from retailers and reinvest in on-line and off-line ads, with merchants also paying for these promotions," Ed Sessler, director, merchandise marketing, told *DSN*.

He said that about 75% of these joint ad dollars will be spent on on-line promotions this year, with the rest going to off-line promotions. Last year the spending was split 50/50.

The service has a co-op ad program with retailers that sell it software and software/-modem packages, with most of these promotions spotted in local newspapers.

Prodigy wouldn't comment on whether it planned to repeat the cross-media campaign it ran last year with Time Warner. That effort saw magazines like *Time*, *Money* and *People* featuring customized ads addressing subscribers by name and telling them the location of the nearest stores selling Prodigy. Time Warner also aired commercials on cable TV networks promoting the magazines, while the media company's ads in shopping centers noted Prodigy dealers in the malls.

The traditional advertising media are needed, Sessler said, to "activate and motivate" computer owners who don't understand Prodigy's full range of services, including shopping, and members who are new to the service or else use Prodigy for only a few specific functions like monitoring their stock portfolio.

"There are still a lot of people who aren't comfortable placing orders electronically," he noted. Prodigy's non-electronic promotions work "extremely well in creating new customers," he added.

Price Club Hits East Sites Snag

(Continued from page 4)

- Failing to purchase the sites for the previously announced clubs planned for Rockland County, New York and Philadelphia. The units were part of Price Club's drive to expand its presence in the Northeast that is now limited to the total of six clubs in New York, New Jersey and Connecticut.

The company plans to step up its expansion program to keep pace with other membership warehouses, with the focus on new stores in "the Western states and along the Eastern seaboard," according to Price Club's 10-K filing.

But the company may have missed out on the other growth mode noted in the report, "expand[ing] to regions where it doesn't presently have warehouses, either directly or through acquisitions, organization of majority-owned subsidiaries, joint ventures, or otherwise."

The industry's two major acquisitions last year were by rivals, Sam's Wholesale Club, which garnered the Wholesale Club, and Pace Membership Warehouse, which purchased Price Savers.

The only remaining major wholesale club that could be acquired is BJ's Wholesale Club, now part of Waban Inc. Price Club had held acquisition discussion when the now-defunct Zayre Corp. owned BJ's. BJ's is currently the dominant club in the Northeast with 22 stores in the region.

As for Price Club's union contracts with the International Brotherhood of Teamsters, the agreement covering the East Coast stores expires Feb. 14; the one for California, Feb. 7, 1992. The company termed its labor relations "excellent" in its 10-K filing.

Interco Liquidates Sky City

(Continued from page 3)

Interco borrowed the money to pay a $1.4 billion cash dividend to stockholders and began selling assets to pay down that $1.5 billion bank loan.

It put Sky City on the list of "businesses held for disposition" but was unable to find a buyer, shows an S-4 filing with the Securities and Exchange Commission.

Interco did sell its Central Hardware chain, London Fog and the Ethan Allen furniture chain. It still owns Florsheim and Converse shoes, and The Lane Co. and Broyhill Furniture, as well as Banister Shoe, which operates factory outlet shoe stores.

Earlier this month, Interco notified the SEC that it again is seeking bank approval to skip interest payments due.

As an element of the aborted LBO, Asia Pacific and other investors were to provide enough fresh capital to pay for five new Sky City stores conforming to its new 30,000-square-feet prototype. In addition, the capital infusion would have financed new corporate offices, a warehouse and a distribution center in Ashville.

While opening new prototype stores, the chain would have closed 20 older units.

Sky City store count peaked at 72 in 1987, slipping to 55 at the end. Sales hit $145 million that year but had fallen to $120 million in 1989.

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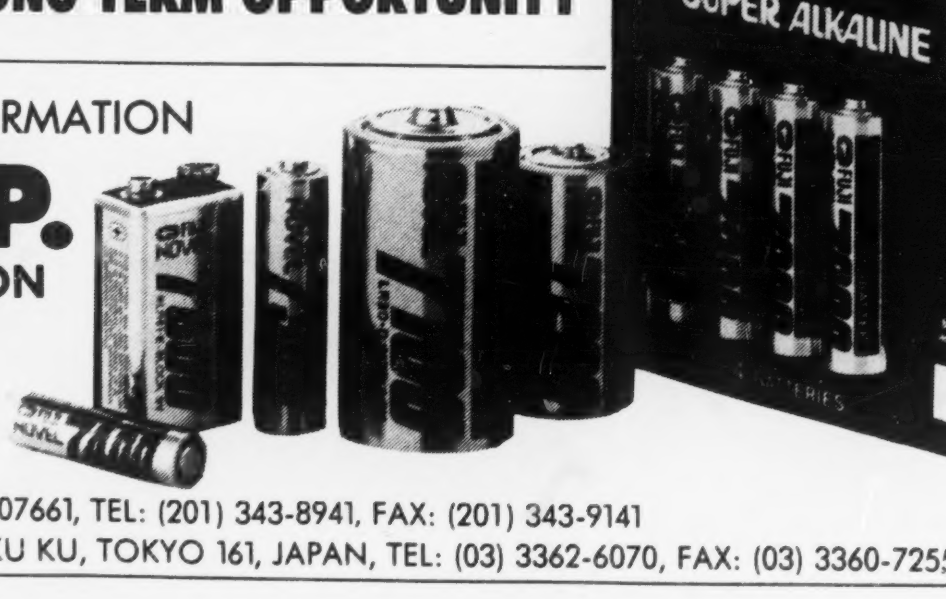

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